

107 FERC ¶ 61,190
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D. C. 20426

May 26, 2004

In Reply Refer To:
Viking Gas Transmission Company
Docket No. RP03-292-001

Winston & Strawn
1400 L Street, N.W.
Washington, D.C. 20005

Attention: Jeanne M. Dennis, Attorney for Viking Gas Transmission Company

Reference: Compliance Response Regarding Fuel and Loss Retention Percentages

Ladies and Gentlemen:

1. Viking Gas Transmission Company (Viking) filed a response on April 21, 2003, as corrected on April 25, 2003, to comply with the Commission's March 31, 2003 Order in Docket No. RP03-292-000. Viking Gas Transmission Company, 102 FERC ¶ 61,353 (2003) (March 31 Order). The March 31 Order conditionally accepted and suspended tariff sheets reflecting Viking's annual adjustments to its Fuel and Loss Retention Percentages (FLRP), subject to refund and Viking responding to parties' concerns regarding compressor throughput, actual gas required for operations (GRO), and fuel quantities retained. The March 31 Order set a 10-day period for reply comments. Northern States Power Company and Northern States Power Company (Wisconsin), jointly NSP, Wisconsin Distributor Group (WDG), and Michigan Consolidated Gas Company (MichCon) filed reply comments.

2. Subsequent to Viking's response and the parties' reply comments, Viking revised its FLRP mechanism in Docket No. RP03-361-000 to change the filing period from annually to semi-annually to coincide with seasonal changes and to reconcile its fuel use accounts twice a year to provide its shippers with greater fuel cost certainty and less volatility.

3. For the reasons discussed below, we accept for filing Viking's April 21, 2003 response supplemented on April 25, 2003, as consistent with the March 31 Order. Our acceptance of this filing is in the public interest because it ensures that Viking's calculation of the FLRPs paid by its shippers accurately reflects the costs of compressor fuel used on the pipeline.

4. Viking's response includes detailed compressor and fuel use data showing increased throughput during the annual period ending January 31, 2003. Viking explained that, as a consequence of greater than predicted throughput during the 2002-2003 period, it under-recovered fuel from its shippers. Further, Viking states that the 2002-2003 FLRPs reflect the return to shippers of the fuel over-recovery during the previous period ending January 1, 2002. According to Viking, the under-recovery of fuel during the annual period ending January 31, 2003, combined with increases in throughput during that period, resulted in higher 2003-2004 FLRPs.

5. In their respective reply comments, NSP and WDG state that they no longer object to the 2003-2004 FLRPs with the following caveats: (i) NSP requests that Viking provide the Deferred GRO Account schedule in all future FLRP related filings; and (ii) WDG requests a technical conference if Viking's Year 2003 annual fuel filing reflects increases in fuel consumption. MichCon requests that Viking provide information to support its assertion in prior rate case testimony that operational efficiencies exist on its system that provide fuel savings benefits to its shippers. Further, MichCon asks that Viking reconcile the relatively large increase in fuel use during 2002-03, and provide evidence that weather and market factors affected its compressor fuel use during 2002-03.

6. Our review of Viking's subsequent FLRP filing in Docket No. RP03-631-000 shows that Viking revised its FLRP mechanism to coincide with seasonal changes and to use the average of the prior three years' deliveries and fuel usage (rather than a single year's delivery and fuel usage) to reduce fuel rate swings. See Viking Gas Transmission Company, 105 FERC ¶ 61,157 (2003). In the RP03-631-000 proceeding, no parties filed protests and WDG encouraged the Commission to approve the revised mechanism stating that, if the new mechanism had been in place when Viking initially filed in the RP03-292-000 proceeding, the volatility in Viking's fuel reimbursement percentages would have been reduced. Since Viking's proposed FLRP increase in the instant proceeding, Viking recovered more fuel than it actually used at the compressor stations to balance a substantial under-recovery, and the deferred GRO account decreased substantially. Further, Viking's FLRPs continue to decrease. See Director Letter Order in Docket No. RP04-178-000 issued March 23, 2004.

7. We find that Viking's response in the instant proceeding, in conjunction with its subsequent filings implementing measures to reduce the significant swings in its FLRPs, satisfies the March 31 Order's requirements and adequately addresses MichCon's concerns regarding the weather and market factors resulting in the large increase in compressor fuel use during 2002-03. With respect to MichCon's request that Viking provide additional information to support prior rate case testimony

asserting fuel savings on its system, we note that analysis of a fuel tracker filing requires a determination whether the data underlying the filing are accurate, not whether testimony in another proceeding on expected fuel efficiencies was correct.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: All Parties